

Pam
Japan

1147
FAR EASTERN
JOINT OFFICE

DEC 13 1957

FILE _____
REFER TO _____

Japan

DEC 13 1957

Free World Ally





Japan



Free World Ally



CONTENTS

Pam
Japan

PART I

	Page
INTRODUCTION	1
THE LAND	3
THE PEOPLE	7
THE ALLIED OCCUPATION	10
JAPAN TODAY	12
U.S.-JAPANESE CULTURAL RELATIONS	16
U. S. Information Activities in Japan	17
THE GOVERNMENT	18
The Legislative Branch	19
The Executive	19
The Judiciary	19
Local Government	20
Political Parties	21
FOREIGN RELATIONS	24
The San Francisco Treaty	24
Ryukyu and Bonin Islands	26
War Criminals	28
Relations With the Soviet Union	29
The U.S.-Japan Security Treaty	30
The U.S.-Japan Mutual Defense Assistance Agreement	31
Patents Exchange Agreement	32
Japan's Defense Forces	32
Japan's Foreign Policy	33
Nuclear Weapons	35
Atomic Energy	37
Participation in International Organizations	38

PART II

ECONOMY	39
Industry	40
Trade and International Payments	42
Changing Trade Patterns	43
Transportation	47
Fisheries	49
Commercial Treaty With the United States	49
Finance	49
The Budget and National Income	51
Employment, Wages, and Family Income	52
National Economic Planning	52
CONCLUSION	54



Emperor Hirohito addressed the public from the palace plaza on May 3, 1952, in observation of the sixth anniversary of the postwar constitution and of Japan's recent resumption of sovereignty.

INTRODUCTION

"It is time to welcome Japan as an equal and honorable member of the family of nations," said John Foster Dulles on September 5, 1951, when, as U.S. representative to the San Francisco treaty conference, he presented to the conference the draft treaty of peace with Japan.

The free world did welcome Japan. Of the 51 Allied nations at the conference, 48 signed the treaty and 47 of them have since ratified it. The treaty came into effect on April 28, 1952, restoring to Japan the full exercise of its sovereignty and independence, and thereby affording to Japan the opportunity of assuming a role of constructive leadership and of exercising a stabilizing influence in Asia.

Three other nations, Burma, India, and the Republic of China, reestablished relations with Japan with separate peace treaties. Japan's return to the world community has been followed by commercial, cultural, and trade treaties with many of the free nations. Though reconciliation could not be effected immediately in all cases and relations between Japan and a few free nations have yet to be reestablished, Japan has achieved a position of importance in the free-world community.

However, no welcome was accorded by the Communist nations. Demanding a punitive and restrictive treaty which would have kept Japan permanently weak and unprotected and an easy prey to their aggressive designs, the Soviet Union and its satellites, Czechoslovakia and Poland, though attending the San Francisco conference, refused to sign the treaty. Further, the Soviet Union for 4 years barred Japan from membership in the United Nations by its exercise of the veto in the Security Council. It was

11 years after the Soviet Union's 6-day participation in the war with Japan before Japanese-Soviet diplomatic relations were re-established—and even then without either a formal peace treaty or a settlement of territorial issues.

Japan's development and conduct of international affairs in the past 4 years have amply justified the confidence of the signatory powers in offering a nonpunitive, nondiscriminatory treaty restoring Japan to dignity, equality, and opportunity in the family of nations.

Japan's foreign policy has been oriented primarily toward the achievement of three broad objectives: economic self-support, security from external attack, and the attainment of a greater measure of influence in world affairs. The nation's conservative leaders believe that Japan can best achieve these objectives within the context of a policy of close cooperation with other free nations and particularly with the United States. They feel that a sovereign Japan, cooperating with other nations on a basis of equality, independence, and mutual respect, can provide the effective international leadership needed for the stability and progress of Asia.

To understand the importance of Japan's role in Asia, it is necessary to know something of the country itself and of the course it has been following in the period since its recovery of full independence.

THE LAND

Japan is a chain of rugged, mountainous islands off the east coast of Asia. Its four main islands lie in a 1,200-mile-long area between the 46th and 31st parallels of north latitude, with the smaller islands of Kagoshima Prefecture extending southward to the 27th parallel. Prior to World War II, Japan's territory included the southern half of Sakhalin, the Kurils, Korea, Taiwan, Kwangtung Leased Territory, and the former German Pacific islands held under League of Nations mandate. With Manchuria, which Japan controlled, its territories then totaled almost 800,000 square miles. The country now comprises the four main islands—Kyushu, Shikoku, Honshu, and Hokkaido—and numerous small islands, with a total area of less than 150,000 square miles, smaller than California by about 15,000 square miles.

Honshu, located in the center of the archipelago, the largest and by far the most important island economically, has an area of nearly 89,800 square miles and 75 percent of the country's 90 million population. On Honshu are situated Japan's largest cities: Tokyo, the nation's capital, with a population of nearly 8 million; Osaka, with more than 2 million; and Kyoto, Yokohama, Nagoya, and Kobe, with more than a million each. Many of the country's major industries are located near these cities.

Hokkaido, northernmost of the islands and second in size, with an area of about 30,000 square miles contains Japan's major forests and only grazing lands and is important for its mines and fisheries. Populated by no more than 5 percent of the national population, Hokkaido offers some opportunity for land reclamation and further development.

Kyushu, farthest south and west of the major islands, is third

in size, with about 16,000 square miles, and maintains 15 percent of the national population. Its northern section is a center of Japan's heavy industry.

Smaller Shikoku, a little more than 7,000 square miles in area, lies off the southern coast of Honshu and east of Kyushu. Its people, who constitute some 5 percent of the total Japanese population, engage principally in agriculture and forestry and, to a lesser extent, in salt processing and copper mining.

The deeply indented Japanese coastline is very long—some 16,500 miles—as well as very beautiful and provides Japan with numerous good harbors. The largest and most important ports in respect to international trade are Tokyo, Yokohama, Kobe, Nagoya, Osaka, Shimonoseki-Moji, Kokura, and Nagasaki. About 700 miles of Japan's coastline are on the Inland Sea, which separates Kyushu and Shikoku from Honshu and opens into the Sea of Japan on the west and the Pacific on the east.

The mountains reach their greatest height in central Honshu. Many of the peaks are volcanic—some of them active. About 60 miles west of Tokyo is the highest and most celebrated of all—Mt. Fuji, which rises 12,425 feet above sea level.

The rivers are too short and rapid to be highly useful for transportation, but they do provide a source of hydroelectric power—good at some periods but subject to seasonal fluctuation. The many flash floods of these rivers do considerable overall damage—even more than earthquakes.

Except for its surrounding waters which are rich in aquatic life, Japan is poor in the land and natural resources needed by its large and increasing population and its industries. Less than 17 percent of the land is presently suitable for cultivation. The farm lands are concentrated in the great Kanto Plain on east central Honshu and in six considerably smaller coastal plains on Honshu, Hokkaido, and Kyushu. For the rest, there are coastal valleys, numerous basins of arable land in the mountains, and terraced ledges on the hillsides. Even with great ingenuity and technical skill, which result in per-acre crop yields among the highest in the world, Japanese farmers can produce on the 16 million acres under cultivation only about 80 percent of the food needed by the present population. The rest must be imported.

Native resources to meet the needs of modern industry are few. Hydroelectric power is insufficient and, according to recent estimates, will reach the limits of possible development in 10 years. The country has in some abundance many of the ingredients of

chemical fertilizers and also of ceramic clay. Coal, found principally on Hokkaido and Kyushu, is plentiful, but only 25 percent of that mined is coking coal suitable for industrial purposes. Chromite, copper, gold, magnesium, silver, and zinc are present in sufficient quantity to meet current minimum requirements, but for many of the minerals essential to modern industry Japan is dependent upon foreign sources. Iron, petroleum, and coking coal head the list of Japan's mineral needs. Although about two-thirds of the total land area is forested, Japan cannot fully meet its enormous requirements for lumber and wood pulp.

THE PEOPLE

In the century since Japan emerged from more than 200 years of self-imposed isolation and undertook its rapid industrial and social revolution, its population has more than tripled, rising from an estimated 27 million in the mid-19th century to 90 million in 1956. Population-wise, Japan is the largest non-Communist nation in East Asia. In population density it ranks third in all the world. In 1955 the increase by live births was more than a million, but in 1956 the rate of increase dropped slightly below a million. (Japan's present birthrate is lower than that of many world powers.) According to estimates it will take until 1970 for Japan's population to reach the 100-million mark.

Archaeological and anthropological evidence indicates that the early ancestors of the Japanese reached the islands from various parts of the Asian continent in a series of migrations dating from prehistoric times. Probably a fusion of many strains produced the Japanese race of recorded history.

Historical records suggest that it was in the third or fourth century of the Christian era that the Yamato clan acquired sufficient ascendancy over other clans to make the worship of its mythical progenitress—the sun goddess—into a general cult and to make its priest-chief the supreme priest-chief and later the emperor of the country. Japan thus has one of the oldest ruling dynasties in the world. The concept of the divinity of the emperor gradually developed as did the Shinto cult, which the leaders of Japan's early modern age, dating from the last half of the 19th century, used as an instrument of the expanding state and which the militarists of this century manipulated recklessly. State Shinto ended officially on January 1, 1946, when Emperor Hirohito declared false the "conception that the emperor is divine."

Japanese culture has roots in the ancient civilization of China just as Western nations have cultural roots in the ancient civili-



Statue of Kwannon the All-Merciful, the special patron of women, at Takasaki, in central Honshu.

zation of the Mediterranean. Or stated another way, early Japan turned to ancient China for inspiration just as the young United States turned to the older nations of Europe.

From the seventh to the ninth centuries after a long period of random cultural introductions from China, the Japanese made a conscious effort to broaden their contacts and patterns of learning through the dispatch of official cultural missions to China. In this enormous program of cultural development, all possible aspects of Chinese civilization—religion, city planning, art, music, social systems, agriculture, architecture, taxation, literature, writing—were studied and, with selective adaptation, were integrated into and blended with the existing native culture, thus evolving the basic Japanese culture of today. During the past century an intensive effort at further cultural development, through the adaptation of Western learning as well as of Western technology, was undertaken in the modernization of Japan. It has been followed in the postwar years by a determined effort to gain the benefits of a democratic system.

Japanese culture and tradition, historical background, and family and social systems are such that, like the people of the United States, the Japanese strongly reject the Communist ideology for themselves. Unlike the case in the United States, however, the roots of democracy and its concept of individual dignity and re-

sponsibility have but lately taken hold in Japan. For centuries the social consciousness of the individual Japanese was largely limited to his own place in the rather inflexible organization of family and society, and he had had little concern for the situation of those beyond his own sphere. The Japanese are aware of the dangers of Communist goals to their own national and individual well-being, though some of them have found no particular difficulty in accepting its existence elsewhere as a matter beyond their concern.

There is developing in Japan a healthy sense of national purpose and of national pride in the new democratic Japan. Despite some individual apathy toward communism abroad and the natural Japanese orientation toward China, there is a growing realization that Chinese Communist designs for domination of Asia are in basic conflict with Japan's national interests. With this realization there is a growing desire to work for cooperation among the free peoples of the Far East in harmony with the national sentiments of the area and with the knowledge that Japan can make positive contributions of long-range benefit both to itself and to the underdeveloped nations.

Kabuki, Japan's traditional popular dramatic form, combines music and dancing with acting, in costumes and settings of great beauty.



THE ALLIED OCCUPATION

The Allied occupation of Japan ended on April 28, 1952, with the coming into effect of the Treaty of Peace. To the Japanese, it was an American occupation, with the United States alone responsible for what they consider its achievements and its deficiencies.

Mr. Dulles, at the San Francisco conference, reported that the Allied occupation goals had been met "with the loyal cooperation of the Japanese people." He said of the occupation that it "was calm and purposeful. Japan's war-making power was destroyed. The authority and influence of those who committed Japan to armed conquest was eliminated. Stern justice was meted out to the war criminals, while mercy was shown the innocent. There has come freedom of speech, of religion, of thought; and respect for fundamental human rights. There has been established, by the will of the people, a peacefully inclined and responsible government, which we are happy to welcome here."

It was generally a benevolent occupation, one of the most benevolent in history. U.S. economic aid helped keep the Japanese nation alive and functioning. The method of ruling through Japanese officialdom and a freely elected Japanese Diet afforded a progressive and orderly transition from the stringent controls immediately following the surrender to the restoration of full sovereignty more than 6 years later. Nevertheless, the Japanese became understandably restive as the occupation continued on year after year, and they were almost universally happy to have it finally end.

Some influence of the United States is naturally observable in Japan as a result of the occupation. There was no intention on our part to remold Japan in our own image. On the contrary,

our aim was to permit the Japanese nation a reorientation at a time when its nationalism, social institutions, economy, and politics were sorely shaken by defeat. The occupation was highly successful in offering Japan new foundations upon which to build. Some of the reforms of the occupation seem destined to be retained permanently by the Japanese. Others have provided a basis upon which Japan may build, with revision and adaptation, to meet its particular needs. Even those reforms which have been or may in time be rejected or abandoned have served a useful purpose in the opportunity they have afforded the Japanese to consider alternatives and make selective choices.

The purge of individuals who had, in various degree and in various fields, been responsible for Japan's imperialist policies was a temporary equalizing measure which gave necessary impetus to the development of new leadership with a fresh outlook. As these new forces gained strength, it was possible to lift the purge orders, at first gradually and then entirely.

These Japanese farmers, thanks to the land reform law enacted by the Diet in 1947, are harvesting rice on their own land.



JAPAN TODAY

In the sight of the law all citizens in Japan are equal and any person who has reached the age of 20 can vote. For the first time in Japan's history women are legally entitled to equal rights with men—in employment and working conditions, admission to the national universities, the right to vote, and eligibility to hold elective office. Currently there are 15 women in the upper house of the Diet and 8 in the lower.

Freedom of religion is guaranteed to the people by the constitution. Most are Buddhists or Shintoists—though many accommodate a combination of the two religions. The Christian religion, which is growing, has a relatively small following, representing only about one half of one percent of the total population, but its influence is felt through its schools and colleges, hospitals, and health and welfare activities.

Education through senior high school is free; it is compulsory through the ninth grade. School facilities, however, are inadequate for the ever-increasing pupil population, and double shifts are the rule in heavily populated centers. All public schools are coeducational. Adult education classes and extension classes, both technical and cultural, are becoming increasingly popular. Teachers are free to organize in unions and to participate in political activities.

The people, who long have had one of the highest literacy rates in the world, are avid readers and avail themselves of Japan's well-developed public information facilities. In production and mass distribution of newspapers, periodicals, books, motion pictures, and radio programs, Japan is one of the world's leading nations. Information media in general are private and commercial; but in radio, although private broadcasting stations exist, the Na-



Japanese women take seriously their right to vote. On April 10, 1946, when they had their first opportunity to vote, 72 percent of all women eligible to do so went to the polls, and 39 women candidates won seats in the Diet.

tional Broadcasting Corporation with its nationwide network is owned and operated by the Government.

The highly literate Japanese people support several hundred newspapers, two of which—the *Asahi* and the *Mainichi*—claim a circulation of 6 million each. They also support more than 1,200 periodicals and a book industry with an annual output of some 20,000 titles. Newspaper subscriptions average well above one to each household in Japan. Many Japanese journalists take seriously the political and social responsibilities of a free press and regard themselves as the watchdogs of democratic government and the voice of the public conscience.

Today's Japanese leadership is highly educated and representative of a variety of backgrounds. Practically all political and business leaders are university graduates, while many have done postgraduate work; industrialists and labor leaders are graduates of universities or higher technical schools. In general, the leadership is middle-aged or older and in many cases had already risen to prominence before the war.

The Japanese are better fed and better dressed on the whole than other Far Eastern people. In relation to the cost of living their wages are low. Food and housing are especially expensive. Housing remains painfully short, with the result that most of the people are in very crowded quarters. Yet the Japanese are among the healthiest people to be found in the Far East, with a life expectancy of 14 more years than they had in 1947 and an infant

The sound of bells from the many small temples of rural villages accompanies the life of the Japanese farmer. Religion, symbolized in small shrines and statues along the roadsides and in the fields, enters the routines of planting and harvesting.



mortality rate that has declined over the same period from 76.7 to fewer than 40 deaths per thousand births.

As in most countries, there is considerable difference in ways and attitudes between the urban and rural elements of the population. The Japanese farmer tends to be conservative and generally is less politically intense than his urbanized relatives. Rural income and consumption levels have improved markedly in the post-war years. As a result of the land-reform program sponsored by the occupation, 90 percent of the farmers now own the land they operate. Because landowners have for several generations been the leaders in rural communities, the farmer of today is more likely than not to vote into local or prefectural office a former landlord.

However, differences between urban and rural attitudes are diminishing with the increasing drift of rural youth to the cities. Available farm lands have reached the saturation point in regard to population, and cities tend to absorb the increase. Daughters and younger sons from farm families are moving cityward in increasing numbers to swell Japan's urban labor force, and through these city-worker sons and daughters the rural people who stay at home have more direct contact with urban affairs than ever before.

Many Japanese, urban and rural alike, are concerned lest the necessary and legitimate defense activities of the Japanese Government stimulate a revival of militarism. These Japanese have a profound horror of the destructive potential of nuclear energy, which two of their cities experienced, and want nuclear weapons banned. On the other hand, the average Japanese wholeheartedly supports the atoms-for-peace program initiated by President Eisenhower in December 1953.

Of particular significance is the broad extension of individual political freedom and responsibility achieved in the postwar period. Despite the difficulties inherent in this revolutionary transition from prewar authoritarian patterns, a solid beginning has been made in establishing parliamentary government.

U.S.-JAPANESE CULTURAL RELATIONS

Out of the terrible experience of being enemies in the most destructive war in history and out of the efforts of the United States to help its former antagonists to fashion a broader way of life, mutual respect and understanding have grown into a warm friendship. With the growth of friendship there have developed a rewarding interest in and receptiveness toward each other's cultural heritage and creativeness.

An important factor in advancing understanding between Americans and Japanese has been the educational exchange program, begun by the Department of the Army in 1946 and continued by the Department of State since 1952. During the past 5 years, more than 1,500 Japanese have come to the United States under this program and 279 Americans have gone to Japan.

The program reaches many walks of life. Young Japanese from both labor and management fields have studied industrial relations at an American university. A group of professors and executives from Japanese governmental and private organizations have studied public administration here, while American lecturers have conducted seminars on the same subject in Japan. To foster greater cooperation between Japanese and American law schools, an exchange of legal experts has been arranged under joint government-private sponsorship. American anthropologists and social scientists are learning more about Japanese society and finding ways of interpreting it to America.

In all parts of Japan, American teachers and returning Japanese teachers of the exchange program are deepening interest in the study of English and also strengthening ties between Japanese and Americans in educational methods. Seminars on American literature, with eminent American writers as lecturers, have been successful in Japan. Scientific exchanges have been of great benefit to both Japanese and American participants. In this con-

nection Japanese physicians have joined their colleagues from other countries in observing the application of atomic energy to medical science in U.S. hospitals and other research centers. American athletes, artists, and musicians have also been "cultural ambassadors" to Japan.

The Japan Society in the United States and the America-Japan Society in Japan were revived after a wartime suspension. For approximately half a century these societies have dedicated their efforts to promoting cultural relations between the two countries. In 1953 both took an active part in planning the simultaneous celebrations in both countries of the centennial anniversary of the opening of Japan by Commodore Perry.

In connection with the Perry centennial, Japan sent for exhibit in five American cities a priceless collection of great art treasures. The United States has sent to Japan exhibits of its modern and industrial art, two of its leading symphony orchestras, and various artists; and it participated in the Tokyo International Trade Fairs in 1955 and 1957 and in the Osaka International Trade Fair in 1956.

U.S. Information Activities in Japan

The U.S. Information Agency conducts an information program in Japan to explain U.S. foreign policy and to foster better Japanese understanding of the United States and its aims.

The Agency produces motion pictures, radio programs, pamphlets, and books in Japanese for distribution by the American cultural centers and on request to various Japanese organizations. USIA assists Japanese publishers in the translation and publication of American books.

In key cities throughout Japan there are 14 American cultural centers which were started as free public libraries during the occupation. They are now operated by USIA and have been developed into cultural institutions with lectures, seminars, films, press, and radio activities in addition to libraries. As a source of material and a focal point for students, professors, writers, officials, businessmen, and other Japanese interested in the United States, the American cultural centers have become a highly respected part of the communities in which they are located. In addition to the 14 U.S.-operated centers, 9 other former American libraries have been continued at Japanese expense as Japan-America cultural centers.

THE GOVERNMENT

Since April 28, 1952, the Japan that has risen from the destruction of World War II has directed its own destiny. Its representative government operates within the framework of a new constitution which became effective on May 3, 1947. The drafters of this document were deeply concerned with providing safeguards for human rights and the dignity of the individual. Consequently, 31 of the 103 articles of the constitution spell out the "rights and duties of the people," and there is no question of infringement upon those rights by higher authority.

The Japanese "bill of rights" abolishes peers and peerages and guarantees equality of opportunity, universal adult suffrage, secrecy of the ballot, and freedom of thought, religion, speech, press, residence and movement, and marriage, as well as the freedom of workers to organize, bargain, and act collectively. Censorship and interference with communications are prohibited, as are arrest, detention, search, or seizure without due process of law. Discrimination in political, economic, or social relations because of race, creed, sex, social status, or family origin is made unlawful. The rights of the people are further safeguarded in chapter X, entitled "Supreme Law," by article 97, which reads:

"The fundamental human rights by this Constitution guaranteed to the people of Japan are fruits of the age-old struggle of man to be free; they have survived the many exacting tests for durability and are conferred upon this and future generations in trust, to be held for all time inviolate."

Sovereignty, heretofore the prerogative of the Emperor, is vested in the Japanese people, by the constitutional definition of the Emperor as the symbol of the state, "deriving his position from the will of the people with whom resides sovereign power."

The Legislative Branch

Legislative power is vested in the bicameral Diet consisting of the House of Councillors and the House of Representatives, both composed of popularly elected members. The 250 Councillors of the upper house are elected for 6-year terms, with half of them taking office every 3 years. One hundred of the Councillors represent the country at large, the rest represent the prefectures.

The House of Representatives (lower house), with 467 seats, is the most powerful organ of the state; it has the deciding voice in cases of disagreement between itself and the upper house. Its members serve for 4 years; however, the Executive may dissolve this house in the event of a vote of nonconfidence or in order to seek a popular mandate.

The Executive

Executive power is vested in the Cabinet, which is composed of the Prime Minister and the various Ministers of State, all of whom must be civilians. The Prime Minister is designated by resolution of the Diet from among its members. He has the power to appoint and remove his ministers but is required to choose a majority of them from the Diet. The Prime Minister and Ministers of State may be required by the Diet to appear before it to answer questions or give explanations.

The Judiciary

Judicial power is vested in the Supreme Court "and in such inferior courts as are established by law." The constitution states: "No extraordinary tribunal shall be established, nor shall any organ or agency of the Executive be given final judicial power." The Chief Justice, whose rank is equivalent to that of the Prime Minister, is officially appointed by the Emperor upon designation by the Cabinet. All other members of the Supreme Court are appointed directly by the Cabinet. Appointments are reviewed by the people at the next general election and again after 10 years. The Supreme Court has rule-making power for the entire court system but may, at its discretion, delegate this authority to the lower courts.

These lower courts consist of 8 regional courts, 48 district courts, and 600 summary courts, the latter handling minor cases.



Aerial view of central Tokyo. With its suburbs, the Japanese capital is exceeded in size only by London and New York.

A postwar development, part of the program of social reform, is the court of family relations, of which there are 276 dealing with sundry domestic-relations matters such as divorce, property settlement, adoption, and guardianship.

Local Government

In regard to local governments the constitution requires that regulations for their organization and administration be "in accordance with the principle of local autonomy." Deliberative assemblies are mandatory, as is also the popular election of assemblymen, chief executive officers, and "such other local officials as may be determined by law." Municipal and prefectural assemblies are elected by the people for 4-year terms. Legislation of March 1947 provides for the direct election of governors of prefectures and mayors of municipalities, towns, townships, and wards. The local governments enjoy law-making, police, and financial powers

and, through education commissions, exercise control over their schools. There is a growing tendency in Japan to favor decreasing the degree of autonomy accorded to prefectural and local governments and vesting greater power in the national government.

Political Parties

The dominant *Liberal-Democratic Party* was formed in mid-November 1955 by merger of the conservative Liberal and Democratic Parties. In the summer of 1957, the Liberal-Democrats had 296 or 63.4 percent of the 467 seats in the House of Representatives, and 128 or 50.6 percent of those in the House of Councillors. The party draws its major support from the more conservative elements of Japanese society, particularly the larger business and financial interests and the rural population. Although committed to the principle of free enterprise, the party favors the use of indirect controls and budgetary measures in order to achieve economic self-support and the expansion of the economy.

In foreign policy the party stands for achieving greater national strength and independence, while at the same time maintaining its close ties with the United States. It has initiated efforts resulting in a peace settlement with the U.S.S.R., has permitted increased cultural and economic relations with mainland China, and has encouraged the development of closer political and economic relations with Southeast Asia.

This conservative party, recognizing Japan's vulnerability to Communist aggression and looking to the eventual withdrawal of U.S. forces from Japan, favors a gradual strengthening of Japan's own defense forces. The party's plans for revising the constitution to facilitate the development of armed forces and to effect various other changes have had to be deferred, at least for the next 3 years, as a result of Socialist Party gains in the July 1956 House of Councillors election, which left the conservatives with less than the two-thirds vote necessary for constitutional amendment. The constitutional amendment question and the resort to violence by Socialist members at the last session of the Diet were among the campaign issues.

There was a tendency in Japan to hold the United States responsible for the conservative losses, because of public announcements of continuing U.S. administration of the Japanese-owned Ryukyu Islands and U.S. intentions in regard to the Security

Treaty. Misunderstanding and misinterpretation of both these matters had raised a furor in Japan just prior to the election.

The Socialist Party, reunified in October 1955, 4 years after it had been split into the right and left Socialist parties, has roots going back to the proletarian movement of the twenties. As with the Liberal-Democrats, the unified Socialist Party is confronted with internal factional struggles over both policies and leadership. As of summer 1957, the reunited party had 156, or 33.4 percent, of the seats in the lower house and 80 seats or 32 percent in the upper house.

The party draws its strength from urban labor, middle class intellectuals, small business, and some farmers. It advocates nationalization of key industries, higher wages, and a shorter work week. It favors keeping the basic legislation protecting organized labor, and it favors retaining postwar social reforms. It opposes revision of the constitution. Conservative proposals to amend the election law have been bitterly opposed by the Socialists, together with a majority of the press, as calculated to favor the conservatives over the Socialists.

In foreign policy the Socialists advocate a "neutralist" position for Japan, with reliance on the United Nations for Japan's defense, and they support a policy of closer economic, political, and cultural ties with Communist China and the Soviet Union.

The Socialist Party opposes rearmament, though conceding that the constitution permits Japan the "inherent right of self-defense." The party has been highly critical of the U.S.-Japan security pact and, in general, of Japan's close relations with the United States, which Socialist leaders criticize as infringing on Japan's independence.

The Japanese Communist Party reached its greatest strength in 1949, when it held 36 seats in the Diet. Subsequently it was greatly weakened in 1950 by the occupation's purge of its top leaders from office and their disappearance underground. The party's policy of counseling and instigating violence, pursued between 1950 and 1953, further alienated popular support. Its representation in the Diet in the summer of 1957 was only two seats in the lower house and two in the upper; its voting strength was about 600,000, somewhat less than 2 percent of the whole.

The party is dedicated to support of Communist-bloc efforts to weaken Japan's ties with the United States. Its avowed objectives are: withdrawal of American armed forces, abrogation of the U.S.-Japanese Security Treaty, recognition of the Peiping

regime, and a peace treaty with the Soviet Union on Soviet terms. It is wooing the Socialist Party to conduct a "joint struggle" against the "common enemy," but the Socialist Party is wary of the alliance and has formally rejected Communist proposals to combine forces in elections for the Diet. The JCP maintains a number of popular-front organizations and activities designed to heighten popular dissatisfaction with the policies of the conservative government and Japan's ties with the United States.

The *Ryokufukai*, or Green Breeze Society, formed in 1947, is an upper house group of independent conservative members. Although not a regular political party, the Green Breeze Society, which at its peak held 90 House of Councillors seats, has played a major role in the balance of power in that body and, in the past, frequently held the key to passage of major legislation. In the summer of 1957 the group held 29 upper house seats.

All told, in 1957 minor parties held 5 seats in the lower house and 11 in the upper.

Many problems remain in the process of the political transition in Japan. Japanese political leaders, however, have expressed the hope that the merger of the Socialist parties on the one hand and of the conservative parties on the other will contribute substantially to the achievement of stable and effective government under a two-party democratic parliamentary system.

FOREIGN RELATIONS

The San Francisco Treaty

The Treaty of Peace with Japan, signed by 49 nations at San Francisco on September 8, 1951, was basic to Japan's resumption of sovereignty. Earlier in 1947 a U.S. move to negotiate a Japanese peace treaty among the 11 nations of the Far Eastern Commission¹ was blocked by Soviet insistence that the treaty should be considered only by the Council of Foreign Ministers,² in which the Soviet Union had veto power.

In 1950 the United States tried again, and on a broader basis. Secretary of State John Foster Dulles, then a special Presidential representative with the rank of ambassador, undertook the negotiation of the treaty. In presenting the final draft at San Francisco on September 5, 1951, Mr. Dulles said:

"Every nation which has constructively interested itself in the treaty can claim authorship of important parts of the present text. Also each of these nations can claim the equally honorable distinction of voluntarily subordinating some special interest so that a broad base of unity might be found. The Allied Powers have

¹ The Far Eastern Commission was formed February 26, 1946, in accordance with the decision of the Council of Foreign Ministers at its Moscow conference of December 16-26, 1945. It was originally composed of representatives of 11 nations: Australia, Canada, China, France, India, the Netherlands, New Zealand, the Philippines, the Union of Soviet Socialist Republics, the United Kingdom, and the United States. Burma and Pakistan were added to the Commission November 17, 1949. The Commission lapsed upon the entry into effect of the Treaty of Peace with Japan on April 28, 1952.

² The Council of Foreign Ministers, composed of the Foreign Ministers of the United Kingdom, the Union of Soviet Socialist Republics, China, France, and the United States, was established by decision of the Heads of Government of the U.S.S.R., the United States, and the United Kingdom at the Berlin (Potsdam) conference of July 17-August 2, 1945, to do essential preparatory work for the peace settlements.

been conducting what in effect is an 11-month peace conference participated in by so many nations as to make this treaty the most broadly based peace treaty in all history."

He called it "a good treaty," adding: "It does not contain the seeds of another war. It is truly a treaty of peace."

In the preamble Japan stated its intention of applying for membership in the United Nations, conforming to the principles of the U.N. Charter, adhering to the ideals of human rights, and conforming to internationally accepted practices in its trade and commerce.

The treaty's disposition of former Japanese territory limits Japan to its home islands. Korean independence is specifically recognized, and all claims to Taiwan, the Kurils, South Sakhalin, and certain other former island territories are renounced.

In the chapter on security Japan accepted the obligations set forth in article 2 of the U.N. Charter, particularly the obligation to settle international disputes by peaceful means and to refrain "from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the Purposes of the United Nations," and to "give the United Nations every assistance in any action it takes in accordance with the present Charter." The Allied signatories recognized Japan's inherent right to individual or collective self-defense. Occupation forces were to be withdrawn within 90 days after the treaty became effective, but the treaty provided (to avoid a military vacuum in unarmed Japan) that foreign military forces could be maintained in Japan under agreement between Japan and one or more of the Allied Powers.

Economically Japan was unrestricted in its right to trade with "each and every country." Pending negotiation of commercial treaties on a bilateral basis, and for a 4-year interim period, each Allied Power was granted most-favored-nation treatment with regard to customs, so long as it granted the same to Japan.

In regard to reparations the treaty recognized that, while Japan should pay reparations to the Allied Powers for the damage and suffering it had caused in wartime, Japan's resources were not sufficient to make complete reparation and at the same time maintain a viable economy and meet its other obligations. The treaty provided that, where Japanese-manufactured goods were called for in reparations agreements, the raw materials "shall be supplied by the Allied Powers in question, so as not to throw any foreign exchange burden upon Japan."

The United States recognized that the Japanese economy could not support the heavy reparations which several of the Allied Powers sought to require of Japan and that the United States would be forced to subsidize such reparations payment through economic aid to maintain stability in Japan. Therefore, during the negotiations the United States insisted on the moderate reparation provisions which the treaty contains.

On June 3, 1956, the Japanese Diet ratified the reparations agreement worked out earlier in the spring with the Philippine Government, pledging \$800 million in goods, technical assistance, and low-interest, long-period loans to the Philippine Republic. The Philippine Senate ratified that agreement and the Japanese peace treaty on July 16. Indonesia has deferred ratification until an agreement can be negotiated with Japan on reparations.

Ryukyu and Bonin Islands

The exercise of U.S. jurisdiction over the Ryukyu Islands, which include Okinawa, and over the Bonin Islands is provided by article 3 of the treaty. Japan has not renounced sovereignty over these islands, as it did under article 2 with regard to certain other territories. The United States recognizes Japan's residual sovereignty and has emphasized that it has no intention of seeking to acquire permanent possession. On December 25, 1953, the United States relinquished its rights, under the treaty, to jurisdiction over the Amami-Oshima group of the Ryukyu Islands north of Okinawa, and Japan resumed full sovereignty over them. In announcing the U.S. decision to restore this portion of the Ryukyu Islands to Japanese jurisdiction, Secretary of State John Foster Dulles, while a visitor in Tokyo on August 8, 1953, stated, with respect to other islands included under article 3, that:

"It will be necessary during the present international tensions in the Far East for the United States to maintain the degree of control and authority now exercised. The United States will thus be able to carry out more effectively its responsibilities under the security treaty between the United States and Japan to contribute to the maintenance of peace and security in the area. Meanwhile, the United States will make increased efforts to promote the welfare of the inhabitants of these islands."



The vital U.S. military base on Okinawa, which uses a considerable portion of Okinawan land, and the question of fair and adequate compensation to the Ryukyuan landowners have caused public agitation in Japan, where there is considerable interest in Okinawan affairs and a growing irredentist sentiment. On June 2, 1956, the Japanese Diet unanimously resolved that the Government should press for recovery of the Ryukyu and Bonin Islands. The Japanese Government, while desiring to resume the exercise of sovereignty over the islands, has in the meantime expressed interest in the attainment of a satisfactory solution to Okinawan problems which will permit the United States to carry out its defense responsibilities in the area without abridging the rights and interests of the Okinawans.

By Executive Order 10713, of June 5, 1957, President Eisenhower provided for the establishment of a civil administration for the Ryukyus headed by a High Commissioner appointed by the Secretary of Defense from among active duty members of the American Armed Forces. The Government consists otherwise of a unicameral legislature of 29 popularly elected members, a Ryukyuan Chief Executive appointed by the High Commissioner after consultation with the legislature, and a judiciary. The Secretary of State is charged with responsibility for conduct of the Islands' relations with foreign countries, and the Secretary of Defense for promotion of self-government and well-being among the Ryukyuans.

There have been continuing efforts in Japan to obtain U.S. consent to the return to the Bonin Islands of the 7,000 former residents who were evacuated to Honshu by the Japanese military toward the end of the war. To date U.S. security considerations have prevented this.

War Criminals

Under article 11 of the treaty, Japan agreed to carry out sentences imposed by the International Military Tribunal for the Far East³ and other Allied War Crimes Courts upon Japanese

³ The International Military Tribunal for the Far East, representing Australia, Canada, China, France, India, the Netherlands, New Zealand, the Philippines, the U.S.S.R., the United Kingdom, and the United States, tried the A-class war crimes cases involving responsibility for Japanese aggression. Members of the Japanese armed forces and a few civilians charged with committing atrocities were tried by military commissions of various Allied countries.

war criminals imprisoned in Japan. The treaty further specified that the power to grant clemency, to reduce sentences, and to parole was not to be exercised except on a majority decision of the governments represented on the Tribunal or on the decision of the government imposing sentence in each instance, in both cases the recommendation of Japan being a prerequisite.

The United States and seven other Allied Powers ⁴ representing the International Military Tribunal met periodically to consider the parole of Japanese war criminals convicted by the Tribunal; the last prisoner of this group was released on parole on March 30, 1956.

A special Clemency and Parole Board for War Criminals was established by the United States to consider, where the merits of the individual case permitted, reduction in sentence or parole of those other war criminals sentenced by U.S. military courts. The question of their release is kept under continuous examination; for example, one hundred were paroled in 1955. As of August 1957 there remained 60 Japanese war criminals subject to U.S. jurisdiction confined in Sugamo prison in Tokyo.

Relations With the Soviet Union

Japan and the U.S.S.R., after conducting peace treaty negotiations intermittently since June 1955, signed a joint declaration on October 19, 1956, in Moscow, ending the state of war and settling certain issues but not disposing of the question of Japanese territorial claims. Japan is endeavoring to secure the return of Etorofu and Kunashiri, the two southernmost islands of the Kurils chain. Japan contends that its renunciation in the San Francisco treaty of claim to the Kuril Islands did not include these two islands and that in any event the San Francisco treaty has no bearing on the matter since the U.S.S.R. refused to sign it.

It is the U.S. position that the two islands have always been a part of Japan proper and should in justice be acknowledged as under Japanese sovereignty. In connection with Soviet efforts to have Japan acknowledge Soviet sovereignty over the Kuril Islands and South Sakhalin, the United States informed the Japanese Government that it is the opinion of the U.S. Government that by virtue of the San Francisco peace treaty Japan does not

⁴ Australia, Canada, France, the Netherlands, New Zealand, Pakistan, and the United Kingdom.

have the right to transfer sovereignty over the territories renounced by it therein.

Japan also is endeavoring to recover the Habomais and Shikotan, small islands just off northeastern Hokkaido. In the agreement signed in Moscow the Soviet Union agreed to return these latter islands to Japan when a peace treaty is signed.

The U.S.-Japan Security Treaty

The security treaty signed by the United States and Japan on September 8, 1951, was a joint acknowledgment of the dangers presented to Japan's and the free world's security by Japan's unarmed state. In it Japan asked, "as a provisional arrangement for its defense, that the United States of America should maintain armed forces of its own in and about Japan so as to deter armed attack upon Japan." To this the United States responded that "the United States of America, in the interest of peace and security, is presently willing to maintain certain of its armed forces in and about Japan, in the expectation, however, that Japan will itself increasingly assume responsibility for its own defense against direct and indirect aggression, always avoiding any armament which could be an offensive threat or serve other than to promote peace and security. . . ."

The treaty shall expire:

" . . . whenever in the opinion of the Governments of the United States of America and of Japan there shall have come into force such United Nations arrangements or such alternative individual or collective security dispositions as will satisfactorily provide for the maintenance by the United Nations or otherwise of international peace and security in the Japan area."

Arrangements for the maintenance of U.S. security forces in Japan are governed by an administrative agreement between the two governments, signed at Tokyo on February 28, 1952, which sets forth the rights, privileges, obligations, and responsibilities of both countries. Japan agreed to bear a portion of the local currency expenses of the U.S. armed forces and to provide certain base facilities for them. The Japanese Government has, on several occasions, in undertaking necessary acquisition or expansion of certain base areas, encountered localized Japanese public resistance.

Many of the base facilities are shared jointly by the U.S. forces and the Japanese forces, and the latter have taken over respon-

sibility for the ground defense of both Hokkaido and Kyushu.

The security treaty has been criticized in Japan as one-sided, and as making Japan dependent upon the United States and thereby infringing upon Japanese sovereignty. There have been public demands for its revision or termination. However, the Japanese Government recognizes that in the absence of the security afforded under the treaty Japan would necessarily have to rely upon regional security arrangements. Since the defense capacity of Japan is as yet far from adequate to assure its own minimum security requirements, Japan is not now in a position to undertake mutual defense obligations to furnish military assistance outside of Japan in return for like commitments from other nations to come to the aid of Japan if it were attacked.

In the course of discussions between President Eisenhower and Prime Minister Kishi in Washington in June 1957, they agreed:

“ . . . to establish an intergovernmental committee to study problems arising in relation to the Security Treaty including consultation whenever practicable, regarding the disposition and employment in Japan by the United States of its forces. The committee will also consult to assure that any action taken under the Treaty conforms to the principles of the United Nations Charter. The President and the Prime Minister affirmed their understanding that the Security Treaty of 1951 was designed to be transitional in character and not in that form to remain in perpetuity. The Committee will also consider future adjustments in the relationships between the United States and Japan in these fields adequate to meet the needs and aspirations of the peoples of both countries.

“The United States welcomed Japan’s plans for the buildup of her defense forces and accordingly, in consonance with the letter and spirit of the Security Treaty, will substantially reduce the numbers of United States forces in Japan within the next year, including a prompt withdrawal of all United States ground combat forces. The United States plans still further reductions as the Japanese defense forces grow.”⁵

The U.S.-Japan Mutual Defense Assistance Agreement

The security treaty is a measure to safeguard Japan from attack while Japan has inadequate means of defending itself. On March 8, 1954, the Mutual Defense Assistance Agreement was

⁵ Joint communique, June 21, 1957.

signed to aid Japan further in developing its own defense forces. The agreement provided for U.S. assistance to Japan in the form of military equipment, services, and goods; the exchange of services and property; and a defense program on the part of Japan consistent with its economic ability and designed to contribute to the "defensive strength of the free world," as well as to achieve Japanese security.

Patents Exchange Agreement

On March 22, 1956, an agreement between the United States and Japan on the exchange of patent rights and technical information for defense purposes was signed at Tokyo. The agreement recognizes that privately owned technology should, as far as possible, be exchanged on the basis of commercial agreements between owners and users, and it provides for protection of the owners' rights. It provides also that government-owned inventions shall, as a general rule, be exchanged for defense purposes on a royalty-free basis.

Japan's Defense Forces

The development of Japanese defense forces was initiated with the establishment in 1950 of a National Police Reserve. These forces were later expanded with their conversion to a self-defense force. In 1954 the Diet enacted legislation creating a National Defense Agency with the specific mission of defending Japan against external aggression. Ground, maritime, and air self-defense forces were established, with a Joint Chiefs of Staff to coordinate their activities. In 1956 the Diet approved the establishment of a National Defense Council, a high-level Cabinet body to deliberate on basic national defense policies and long-range defense planning.

According to public reports, long-range defense plans projected to 1960 will provide a ground force of 180,000 men, an air force of 33 squadrons and 43,000 men, and a navy of 119,000 tons and 33,000 men.

Article 9 of the Japanese Constitution renounces war as a sovereign right of the nation. To date, the establishment of the National Safety Agency and its reorganization into the National Self Defense Agency, and the receipt of equipment from the United States and the training of men in the use of such equipment have

raised no serious constitutional problem in Japan. However, there is considerable sentiment among conservative groups in Japan favoring revision of article 9 and other provisions of the constitution. The Japanese Diet on May 16, 1956, approved the establishment of a Constitution Research Council to investigate and recommend changes in the constitution. The conservatives, however, do not command the necessary Diet support to achieve constitutional revision, which requires a two-thirds majority in both houses of the Diet.

Japan's Foreign Policy

Under conservative leadership Japan's principal foreign policy aims are to resume a position of international stature and leadership, to repair its relations with the countries of Southeast Asia, and by industry and trade to lay a foundation for the maintenance of a reasonable standard of living in Japan and to aid in the economic development of Asia.

To make progress in establishing friendly and mutually advantageous relations with the Southeast Asian countries has not been easy for Japan. Bitter wartime experiences under Japanese military occupation have not been forgotten, and doubts and suspicions of Japanese motives and intentions remain hard to overcome in some of these countries. The need to expand trade, as well as the hope of assuming a more active role in the non-Communist Asian community, has prompted the Government to take positive steps to resolve outstanding reparations and peace treaty settlements with the various Asian countries formerly at war with Japan and to participate in multilateral political and economic organizations and activities in this area.

In the late spring of 1957, with a view to strengthening economic, cultural, and political cooperation between Japan and its Asian neighbors, Premier Nobusuke Kishi visited six countries and discussed matters of mutual interest with their leaders. His 2-week tour included Burma, India, Pakistan, Ceylon, Thailand, and the Republic of China.

The Japanese Government, fully cognizant of Japan's vital interest in the just causes of the free world, is committed to friendship and cooperation with the free world and alignment with the United States. Its efforts to maintain its present policies, and particularly to provide for Japan's self-defense within that context, have been subjected to increasingly strong pressure, espe-

cially from the Socialist opposition, for Japan to take an independent position of neutralism in international affairs. Basically this neutralist drive takes the position that Japan must somehow avoid involvement with either side in any cold war and must avoid being drawn into any future wars. Communist propaganda plays on the desire of many for neutrality and seeks to encourage suspicion that alliance with the United States will lead Japan into a third world war.

The Japanese Government recognizes that Japan, with its great force of skilled manpower and its tremendous industrial potential, cannot hope to sustain a neutral role in the divided world of today. The Government consequently desires to make Japan militarily strong enough to assume primary responsibility for its own defense, seeing clearly that, until that day arrives, American forces cannot be permitted to leave. But in the face of neutralist sentiment and a highly vocal, if unrealistic, opposition to even defensive rearmament, the Government feels obliged to move cautiously toward its objective. The same groups that cry out against development of an adequate defense force clamor also for removal of American forces and the replacement of the security treaty with a defense arrangement of what they term "greater mutuality." At the same time, they reject international security arrangements involving mutual and collective responsibilities on the part of all free nations as a safeguard against Communist aggression.

Relations with Korea since Japan's surrender in 1945 have been difficult. As an aftermath to 40 years of Japanese rule in Korea, the present governments have inherited major differences in viewpoint. Chief sources of friction are conflicting property claims, fishing rights on the seas between Japan and Korea, and the status of some 500,000 Koreans living in Japan.

Japan has no formal relations with Communist China, although fishing and trading interests in Japan and Communist China have entered into unofficial agreements and trade delegations have been exchanged. In the summer of 1957, the Government liberalized considerably its trade policy with Communist China, an area of trade which, because of its prewar importance when Japan occupied a preferred position in China, is viewed longingly by some influential business circles in Japan. Since 1955 hundreds of Japanese—including educators, Diet members, and business men—have visited Communist China, and Japan has received many visitors from Peiping.

Upon his return from his Asian tour in June 1957, Premier

Nobusuke Kishi reaffirmed his Government's position in regard to Communist China, stating that Japan was not prepared to recognize the Peiping government but that it did want expanded trade with mainland China. Subsequently Japan followed the British policy of relaxing embargoes against mainland China to conform with existing embargoes on trade with the Soviet Union. Since the restoration of relations with the Soviet Union, the Japanese Government has been under considerable diplomatic and domestic pressure to enter closer relations with the Chinese Communist regime. Because of the two nations' geographical proximity, cultural affinity, past economic interdependence, and long history of close, though not always friendly, relations, many Japanese feel that Japan is particularly qualified to understand and deal with China and that Japan's position in Asia requires it to establish some official basis of communication with its most powerful Asian rival for influence in East Asia.

In his address to the U.S. Senate and House of Representatives on June 20, Mr. Kishi said:

"International communism is now trying to win over Asia by exploiting the fervent spirit of nationalism of the Asian peoples and by appealing to their impatience to overcome poverty and privation. The Communists are trying to demonstrate that their way is the quicker way to develop under-developed economies and to raise living standards.

"We firmly believe that they are wrong, and that the democratic method is the only way to serve the welfare and to promote the happiness of mankind. We must prove that we are right.

"As the most advanced and industrialized nation in Asia, Japan has already shown that economic and social progress can be achieved without the Communist shortcut. We have already demonstrated that free enterprise serves human happiness and welfare in an honorable way with full respect for the dignity of man. It is my firm conviction that Japan, as a faithful member of the free world, has a useful and constructive role to play, particularly in Asia, where the free world faces the challenge of international communism. We are resolved to play that role."

Nuclear Weapons

The Japanese have a particular fear of nuclear weapons as a result of their wartime experiences and the 1954 "Bikini incident," in which a Japanese fishing vessel and its crew were caught

in the fallout from an American nuclear bomb test explosion in the Pacific. In concern for the injuries suffered by the fishermen, the U.S. Government, in early 1955, paid, "*ex gratia*, to the Government of Japan, without reference to the question of legal liability, the sum of two million dollars for purposes of compensation for the injuries or damages sustained as a result of nuclear tests in the Marshall Islands in 1954."

Indicative of Japanese sensitivity on the subject of nuclear weapons was an incident in 1955 when word that rocket launchers capable of carrying atomic warheads were being sent to Japan caused an uproar in the Diet and the defeat of important parts of the conservatives' legislative program.

Following announcement by the United States of a series of nuclear bomb tests beginning in April 1956 and declaration of a danger zone in the Pacific, both houses of the Japanese Diet unanimously passed resolutions of February 9 and 10, 1956, urging suspension of nuclear bomb tests. On March 15, 1957, the upper house of the Diet unanimously adopted a resolution which urged that "the United Nations and the Powers concerned take speedily effective and appropriate measures for limiting the use of atomic energy exclusively to peaceful purposes and for the total prohibition of production, use and testing of atom and hydrogen bombs." An English translation of this resolution was presented to the Secretary of State on March 20.

On April 3, 1957, the Atomic Energy Commission announced that nuclear tests would begin on or about May 15 in Nevada. A Japanese note of April 29 besought the Government of the United States to give renewed consideration to the views and apprehensions of the Japanese people concerning the forthcoming Nevada tests. The note stated that the Japanese Government has made strong representations to the British and Soviet Governments in regard to tests being conducted by them.

A U.S. note to the Japanese Government, dated May 13, 1957, set forth the U.S. position in regard to the Nevada tests and subsequent nuclear tests. First, it reassured the Japanese that the Nevada tests would be "conducted in such a manner as not to result in any significant addition to radiation levels throughout the world." The concern of the U.S. Government for the well-being of its own citizens and all humanity would be reflected in the safety measures taken in the Nevada test series. On the subject of limiting the use of nuclear energy to peaceful purposes and suspending weapons testing, the note states:

" . . . These objectives are ones that the Government of the United

States has been seeking to attain since 1946. The most recent United States proposals to these ends were contained in the statement made on January 14, 1957, in the United Nations General Assembly by the United States Delegate. . . . The United States has made clear in these proposals that it is ready to limit and eventually cease nuclear testing, provided that the present trend toward the increase in nuclear weapons stockpiles is halted and the reduction of such stockpiles is begun in accordance with specific arrangements which include adequate safeguards. By its repeated rejection of United States' disarmament proposals, the Government of the Union of Soviet Socialist Republics has obstructed progress toward control of the nuclear threat and the ending of nuclear weapons tests.

"In the absence of adequately inspected agreements for the control and reduction of armaments, the Government of the United States has a responsibility to its people—as well as to the rest of the free world—to strengthen its defensive and deterrent capabilities and thereby contribute to the maintenance of peace. History has repeatedly demonstrated that one-sided weakness leads to war. . . .

"Until such time as the suspension or cessation of tests is achieved, the Government of the United States would willingly cooperate with other countries in a system of registering nuclear tests with the United Nations in pursuance of the proposal co-sponsored by the Governments of Japan, Canada, and Norway at the recently concluded session of the United Nations General Assembly. In addition, the Government of the United States is hopeful that agreement can be reached on its proposal for the limited international observation of nuclear tests. In advance of such agreements, the Government of the United States has of its own accord announced its test series and invited observers from a number of countries to attend."

Atomic Energy

However strong their opposition to nuclear weapons, the Japanese are profoundly interested in the peaceful uses of atomic energy. On November 4, 1955, Japan signed an agreement with the United States for cooperation in the peaceful uses of atomic energy. This agreement was presented to the Diet in December 1955 along with the basic Atomic Energy Law and other legislation establishing an Atomic Energy Commission—all of which

were approved. A United States Information Agency exhibit demonstrating present and potential benefits from the peaceful uses of atomic energy, which has been shown in Japan under the sponsorship of prominent Japanese newspapers, has increased Japanese interest in atomic energy development.

Participation in International Organizations

Japan announced in the preamble to the peace treaty its intention to apply for membership in the United Nations, and it so applied in June 1952. The application was examined by the Security Council on September 18, 1952, and was vetoed by the Soviet Union. In 1955 Japan's application was refused three times as a result of Soviet vetoes. The United States, considering Japan well qualified for membership and able as a full member to enhance the effectiveness of the United Nations, consistently supported Japan's entry into the United Nations. It was not until December 1956, following the Japanese-Soviet agreement that ended the state of war between those two countries, that the Soviet Union consented to Japan's admission.

During its long wait for admission to the United Nations, Japan actively participated in the U.N. specialized agencies. It enjoys membership in all of these and is on the executive committees of seven. It is a full member of the Economic Commission for Asia and the Far East, and is active in the U.N. economic and social programs such as the Commission for International Control of Narcotic Drugs, the Expanded Technical Assistance Program, and the International Children's Fund. Not only through the U.N. Expanded Technical Assistance Program but also through the Colombo Plan, of which Japan is a donor member, Japan is sharing its technical knowledge and skills with less developed countries of Asia.

The year 1955 marked Japan's first postwar participation in international conferences of broad representation. Japan was one of the 29 Asian and African countries to send delegates to the Bandung Conference in Indonesia, where two thousand delegates and official observers represented 1.4 billion people. Of even broader scope was the first International Conference on the Peaceful Uses of the Atom held under the auspices of the United Nations in Geneva, Switzerland, in August. There Japan's delegation of nuclear scientists was one of 73 national delegations. Japan is also a member of the new International Atomic Energy Agency.

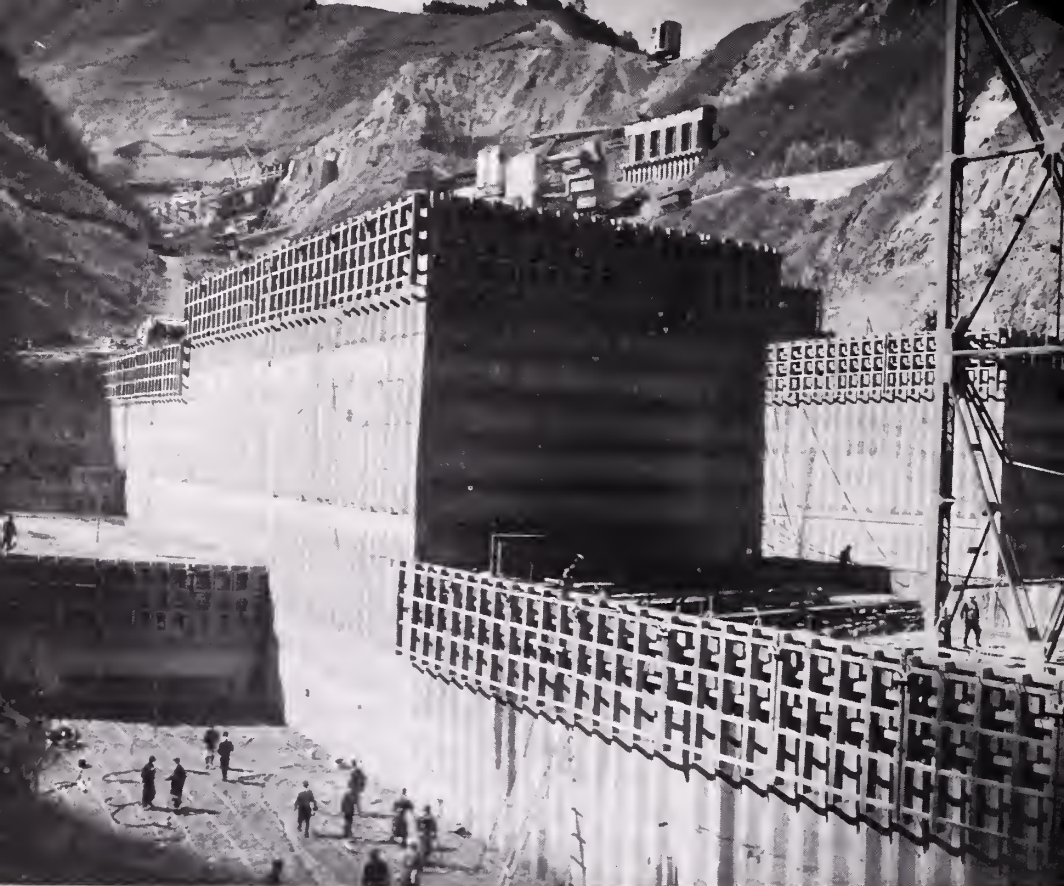
ECONOMY

Japan is an industrial nation. Its economy—the most highly developed and highly industrialized in Asia—compares favorably in many respects with the most advanced industrial nations of the world. The economic health of Japan hinges ultimately on the nation's ability to secure access to world markets and compete favorably in them, both in selling its manufactured products and in purchasing food and raw materials.

Although possessing the largest industrial plant and reservoir of managerial and technical skill in the Far East, Japan suffers a serious and chronic economic handicap in the shortage of arable land and the meagerness of its natural resources. It is faced also with an intensifying population problem which aggravates its deficit food position and retards progress toward greater labor productivity and higher wages.

Less than 17 percent of the land is arable. All of the arable land—12.3 million acres—is cultivated. Based on cultivated area, the population density is 4,643 persons per square mile. The 6 million farm families (embracing 38 million people or 42 percent of the population) have an average holding of 2 acres.

Despite the skill of its farmers, Japan must import 20 percent of its food supply at an annual cost of about \$600 million. It must also import most of the raw materials required for industrial production. Major imports include iron ore, coking coal, petroleum, and raw cotton. These imports must be paid for by exports. Literally, Japan must export to live. Because of the dearth of raw materials, Japan's real exports are its abundant labor and its technical skills.



The Ogochi Dam near Tokyo, scheduled for completion by 1958, is one of Japan's major engineering feats.

Industry

By the end of World War II Japanese industry was in a state of paralysis, and during the ensuing 4 years recovery was slow because of war damage and the problems related to economic stabilization and initial reparations policies. With 1934-36 as 100, the industrial production index for 1948 was only 55.

In 1950 the hostilities in Korea gave tremendous impetus to Japanese industrial recovery. In 1951 industrial production surpassed the 1934-36 level, and it has been increasing steadily ever since. The index (1934-36 as 100) climbed from 119 for 1951 to 188 for 1955 and reached 227 in 1956. Yet, despite this striking increase and the fact that such industries as transportation, electric power, and steel are working at full capacity, there is still idle capacity in some Japanese industries.

In the typical prewar economy, primary industries—agriculture, forestry, and fisheries—accounted for as much as 22.7 percent of the national income; secondary industries—mining, manufacturing, and construction—about 31 percent, and tertiary industries—wholesale and retail trade, transportation, communications and other utilities, finance, and real estate services—the remainder. Wartime and post-wartime dislocations altered these patterns considerably with stress on manufacturing during the war, followed by the preeminent importance of agriculture and fisheries in the immediate postwar years. Now, however, the general proportions are again about what they were in the normal prewar period, with secondary industry again accounting for approximately 32.5 percent of the national income. Within this category, however, the sources of national income have undergone some rather drastic changes.

Japan is the only free nation of the Far East with the skills and facilities required for heavy industry. Locomotives are but one of the many items of machinery and heavy industrial equipment that Japan produces for export.



The Japanese Government's economic policies have been directed toward shifting the emphasis from light to heavy industry. Textile manufacturing, which in 1930 accounted for 37 percent of total industrial output, occupies a considerably less important position in Japanese manufacturing, having declined to less than 18 percent. On the other hand, the percentage of total production represented by mining, machinery, and chemicals has increased markedly.

Trade and International Payments

Japan's merchandise imports far exceed merchandise exports. The following table, based on physical movement of goods through Japanese ports and not to be confused with payments and receipts of foreign exchange, demonstrates the extent of the deficit in merchandise foreign trade.

JAPAN'S FOREIGN TRADE IN MERCHANDISE

(Unit: \$1 million)

	Calendar 1953	Calendar 1954	Calendar 1955	Calendar 1956
Imports	\$2,410	\$2,399	\$2,471	\$3,230
Exports	1,275	1,629	2,010	2,501
Balance	-1,135	-770	-461	-729

Source: Customs Division, Ministry of Finance.

Although imports have exceeded exports in merchandise, Japan has, except in 1953, enjoyed a surplus in its balance of international payments since 1947. In the early postwar years this was possible because of substantial American assistance. Since mid-1950 it has been possible because of "special earnings" arising from expenditures of foreign military forces—predominantly American—in Japan. These special earnings will decline as American forces are withdrawn. If Japan is to maintain a balance in international payments, the gap must be filled by earnings of normal foreign trade. The important role of these special earnings in Japan's balance of international payments is demonstrated in the figures which follow. The table below is based on actual receipts and payments of foreign exchange for both visibles and invisibles.

RECEIPTS AND PAYMENTS OF FOREIGN EXCHANGE

(Unit: \$1 million)

	Calendar 1953	Calendar 1954	Calendar 1955	Calendar 1956
Receipts	\$2,120	\$2,309	\$2,668	\$3,225
Visibles	1,156	1,532	1,954	2,402
Special earnings	810	596	556	591
Other invisibles	154	181	158	232
Payments	2,314	2,209	2,174	2,931
Visibles	2,101	1,962	1,848	2,470
Invisibles	213	247	326	461
Balance	-194	+100	+494	+294

Source: Bank of Japan.

Changing Trade Patterns

In terms of quantity, Japan's foreign trade did not regain 1934-36 levels until 1956. Although merchandise imports in 1956 were 14 percent above 1934-36, exports were still only 86 percent of prewar. In current values, however, total trade in 1956 was more than three times the 1934-36 average. Imports rose from an average of \$953 million in 1934-36 to \$3,230 million in 1956; exports rose from \$931 million to \$2,501 million.

Since the war, major changes have taken place in the geographic and commodity patterns of Japanese trade. Asia—chiefly China, Taiwan (Formosa), and Korea—provided prewar Japan with its principal outlets and sources of supply. Mainland China (including Manchuria) was Japan's greatest single customer as well as its major supplier of coking coal and iron ore. Other essential ores came from northern Korea. Rice to make up Japan's deficit came from Taiwan and Korea, and most of the nation's sugar came from Taiwan.

In the 1934-36 period the United States was Japan's second best single customer, though the balance of trade was unfavorable to Japan, with its exports to the United States amounting to only 62 percent of its imports from our country.

Today Japan and the United States are again mutually important markets for one another's products. As in the prewar pe-

riod, Japan imports more from the United States than from any other single source, and far more than it exports in return. For the 3 years, 1953 through 1955, Japan imported almost \$2 billion of goods from the United States while exporting less than \$1 billion to the United States. Japan was in this period the third most important foreign market for the United States, ranking only after Canada and the United Kingdom. The United States is therefore, by far, Japan's leading trading partner.

Japan is a top market for many U.S. commodities, particularly agricultural commodities. In 1956 Japan was the leading foreign market for U.S. cotton (taking \$180 million), for soybeans (taking \$31.4 million), and for phosphate rock (taking \$62 million); it is the second most important market for wheat and flour; the third market for barley; the fourth market for petroleum products; and the fifth market for bituminous coal and animal fats and oils. Japan was a good market for U.S. rice in 1955 (52 percent of U.S. exports), but her imports declined sharply in 1956 to only 2 percent of U.S. exports and amounted only to \$3.8 million.

Much has been heard recently about the great quantities of Japanese cotton-textile imports coming into the United States. However, in 1956 the U.S. raw cotton exports of \$180 million to Japan were more than four times the value of all cotton-textile imports from Japan. The loss or serious diminution of the American market would constitute a serious blow to Japan's well-being, while the loss or substantial curtailment of the Japanese market would inflict serious damage on many U.S. industries, farms, and workers.

Before the war Japan's principal exports were textiles, ceramics, toys, light consumer goods, and marine products. The Japanese Government has sought to effect a shift from light to heavy industry, and there is a steadily increasing export of machinery, varieties of iron and steel products, chemical fertilizers, and ships.

The textile industry's problem of finding markets has been seriously affected by the development of cotton-textile manufacturing in several countries which traditionally were markets for Japan and by the restrictive actions taken by some countries against Japanese textiles. In an effort to stabilize the industry Japanese manufacturers have voluntarily controlled production. As a measure aimed at forestalling possible future injury to the U.S. cotton-textile industry, Japan has imposed export quotas on its cotton-textile exports to the United States.



Dressmaking in miniature. All clothes for Japanese dolls are hand sewn.

India, once a good customer, has achieved self-sufficiency with its own cotton-textile manufacture, the development of which has been facilitated by technical assistance from Japan. Despite the long-continued reparations negotiations which have held up Indonesian ratification of the peace treaty, Indonesia was one of Japan's best customers until the accumulation of substantial Indonesian commercial arrears led to a drop in trade.

Southeast Asian countries are in general important to Japanese trade; but there are limitations on the extent to which markets in these countries for textiles and other consumer goods can be expanded, particularly as many of them begin to develop their own industries. However, Japan is also fitted to provide Southeast Asian countries with capital goods, such as the heavier items of transport and the machinery for their new industries. The Japanese have displayed considerable interest in participating in Asian regional development and are uniquely able to contribute skills and techniques adaptable to Asian economies.

Japan participates with other free nations in the system of multilateral security export controls to deny strategic materials to Communist countries. The controls governing trade with the U.S.S.R. and its European satellites were relaxed somewhat in 1954; but controls governing trade with Communist China remained unchanged until 1957, when many European nations and Japan reduced controls over trade with Communist China to approximately the same level as the controls over trade with the Soviet bloc in Europe.

Up to the summer of 1957, when curbs were eased, Japan's post-war trade with mainland China was of small volume, consisting principally of textiles, chemical fertilizers, and drug exports, and coal, rice, and soybean imports. Japan does not maintain diplomatic or formal trade relationships with the Peiping regime, but private trade groups have concluded unofficial trade agreements with Communist China. Exports to Communist China have been only about one-third of the goals established by the agreements, although imports have roughly approached the targets. While this trade has been increasing, it represented in 1956 less than 3 percent of Japan's total trade. Premier Kishi announced on July 10 that Japan's policy of barring sale of items of strategic significance would remain unchanged and that limitations would be placed on the quantity of some of the released items. Important among some 200 items removed from the blacklist are rolling stock, machine tools, and various types of machinery.

During 1934-36 exports to the China mainland, including Manchuria, comprised about 17 percent of Japan's total exports. Large shipments were made to Manchuria and Kwantung Leased Territory, then controlled by Japan, and were to a considerable degree generated by Japanese development and the requirements of Japanese civilians and military forces. Such conditions no longer prevail. The volume of current trade is indicated below.

In September 1955 Japan formally acceded to membership in the General Agreement on Tariffs and Trade (GATT). This major forward step in restoration of the country to the community of nations was marred somewhat by the decision of 14 of the 35 member countries to invoke article XXXV, thus refusing to undertake the contractual obligations of GATT with respect to Japan. Several of the 14 countries, however, including the United Kingdom, Austria, and India, have extended Japan most-favored-nation tariff treatment on an *ad hoc* basis, and thus far Japan has enjoyed considerable benefit from its accession to the agreement. The United States did not invoke article XXXV and now extends to Japan full most-favored-nation treatment.

JAPAN'S MERCHANDISE TRADE WITH COMMUNIST CHINA

(Millions of dollars, percent of total trade in parentheses)

	Calendar 1953	Calendar 1954	Calendar 1955	Calendar 1956
Japan's imports . .	\$29.7 (1.2%)	\$40.8 (1.7%)	\$81 (3.2%)	\$83 (2.6%)
Japan's exports . .	4.5 (0.4%)	19.1 (1.2%)	29 (1.4%)	67 (2.7%)
Balance . .	-25.2	-21.7	-52	-16

Source: Customs Division, Ministry of Finance.

Transportation

Japan's rail transport system includes 12,500 miles of main track operated by the National Railway Corporation and some 5,000 miles operated by private companies in and about the cities and as feeder lines. The working population is heavily dependent upon rail transport between cities and from suburban areas to job centers. With an estimated 4 billion passenger fares a year, passenger service in Japan produces more revenue than freight, though the railways carry cargo estimated at about 180 million tons a year.

Highway construction has been slowed by topography and also by the fact that both automobiles and fuel are luxury items in Japan. Japan's road system totals about 86,000 miles, of which about 15,000 are classed as improved roads. The increasing use of bus and truck service to supplement the overloaded railway system has emphasized the need for improvement of the road system, and various road building projects are under discussion.

Japan is bountifully provided with harbors, having some 600 with facilities suitable for coastwise shipping, fishing, and shelter, while 60 are capable of receiving large vessels. Wartime losses reduced the Japanese merchant marine from some 6 million gross tons, as of 1941, to a scant million tons of small and obsolete craft by 1945. By mid-1956 the nation's ambitious shipbuilding program had restored the merchant marine to slightly more than 56 percent of its prewar (1941) strength, with the bulk of it designed for overseas transport.

In addition to the international services of its own national line, Japan Air Lines, Japan is served by 11 foreign airlines, including Pan American World Airways and Northwest Orient Airlines.



A fishing village. Fish are the source of most of the protein in the Japanese diet, and fish products are important in the export trade.

Fisheries

Japan's fishing industry, the largest in the world and employing techniques and practices in many respects in advance of those anywhere else, contributes importantly to Japan's food supply. Despite wartime losses to the industry and postwar restrictions upon fishing areas, the Japanese fish catch is greater now than at the prewar peak. Marine products continue to be one of Japan's major export items with the United States as the principal buyer. U.S. tariffs as well as export quotas, voluntarily adopted by the Japanese to provide orderly foreign marketing and alleviate the American fishing industry's fears of undue competition, have served to limit the expansion of the U.S. market for Japanese marine products. Nevertheless, exports in 1956 were about 20 percent higher in value than in 1955.

Commercial Treaty With the United States

U.S.-Japanese commercial relations are subject to the principles set forth in the Treaty of Friendship, Commerce and Navigation signed at Tokyo April 2, 1953. In general, under this treaty each government: 1) agrees to accord within its territories, to citizens and corporations of the other, treatment no less favorable than it accords to its own citizens and corporations with respect to the usual run of commercial and industrial pursuits; 2) establishes the principle of most-favored-nation treatment in trade between the two countries; 3) affirms its adherence to the principles of nondiscriminatory treatment of trade and shipping; 4) endorses standards regarding the protection of persons, their property and interests; and 5) recognizes the need for special attention to the problems of stimulating the flow of private capital investment.

Finance

Capital is scarce in Japan. Interest rates are high, ranging generally from 9 to 12 percent on prime commercial bank loans—and, in some cases, higher.

With the great demand for credit, commercial bank loans in the past have equaled and sometimes exceeded deposits. This was possible because banks drew upon the Bank of Japan when their own resources were exhausted. Since 1954 loans have risen much more slowly than deposits and in mid-1956 equaled 83 percent of deposits.

Companies are heavily in debt. A survey for the 6-month period ending September 30, 1955, shows that in major Japanese corporations debts equaled 61 percent of total assets. Although this was an improvement over previous postwar accounting periods, the ratio in 1936 was 39 percent.

Japan was an important source of supplies for U.N. troops during the Korean war. Economic expansion of boom proportions during this period led to excessive domestic consumption, imports greatly in excess of exports, a deficit in the balance of international payments, and a deterioration of domestic financial conditions threatening serious inflation. To correct these conditions, the Bank of Japan and the Government, in the fall of 1953, adopted a deflationary program. This consisted principally of balancing the national budget and imposing restrictions on import finance and on credit. These measures succeeded in reducing imports, lowering prices, diverting goods from domestic to export markets, and in improving domestic financial conditions. As a result of these steps Japan was in a position to capitalize on continued world prosperity and world demand for Japanese products. Accordingly, exports and receipts of foreign exchange have risen sharply. At the end of 1956 Japan's foreign exchange holdings were reported to equal \$1.623 billion.

American investments in Japan are overwhelmingly in the form of technical-assistance contracts negotiated under the Japanese Foreign Investment Law of May 10, 1950. At the end of 1956, these contracts were estimated to be worth about \$240 million of a total for all countries of about \$375 million. Under the Japanese Foreign Investment Law, all stock acquisitions must be approved by the Government, which is most selective in approving equity investments and especially discourages foreign control of enterprises in Japan. Between May 10, 1950, and the end of 1956, Americans had acquired stock interest of \$20 million and had loaned a total of \$69 million in Japan. Americans also held about \$100 million in prewar Japanese bonds on which service has been resumed. The value at the end of 1956 of prewar equity investments held by foreigners of all nationalities was roughly \$125 million, of which a substantial part was held by Americans.

Two surplus agricultural commodities agreements have been concluded (May 1955 and February 1956) with Japan under title I of Public Law 480 of the 83d Congress. Under these agreements shipments of wheat, cotton, barley, feed grains, rice, and tobacco valued at a total of about \$150 million were arranged. Nearly 75

percent of the total yen proceeds are loaned to the Japanese Government for development projects in Japan. The balance of the yen proceeds is reserved for American governmental purposes such as armed forces dependent housing, procurement of military equipment and services, educational exchange, and market development for agricultural products.

The Budget and National Income

The national budget has remained close to the ceiling of one trillion yen (\$2.8 billion) set in Japanese fiscal year 1954 and 1955 as a part of the deflationary program. These budgets have been ¥999.9 billion for fiscal year 1954 (April 1, 1954, to March 31, 1955), ¥1,013 billion for fiscal year 1955, ¥1,035 billion for fiscal year 1956, and ¥1,137 billion for fiscal year 1957.

National income in 1956 was 47 percent above 1934-36 (in real terms). In its distribution, compensation to employees accounted for 49.6 percent, proprietors' income 36.2 percent, and corporate profits 8.8 percent. Because of the extraordinary population increase—almost a third—per capita income in 1956 was only 16.5 percent higher than the 1934-36 level.

NATIONAL INCOME AND GROSS NATIONAL PRODUCT

	Calendar 1953	Calendar 1954	Calendar 1955	Calendar 1956
Gross national product*	¥6,917 (\$19.2)	¥7,354 (\$20.4)	¥7,897 (\$21.9)	¥8,892 (\$24.7)
National income*	¥5,718 (\$15.9)	¥6,063 (\$16.8)	¥6,548 (\$18.3)	¥7,427 (\$20.6)
Nominal per-capita national income .	¥65,968 (\$183)	¥68,948 (\$192)	¥73,850 (\$205)	¥82,547 (\$230)
Index, real national income (1934- 36=100).	130	134	147	167
Index, real national income per capita (1934-36=100).	103	104	113	116.8

Source: Economic Planning Board. *In billions.

Japan has extensive obligations for reparations and other debts arising from World War II and the occupation. The Philippines, Indonesia, Burma, and Viet-Nam are reparations claimant countries. Agreements have been signed with Burma and the Philippines. Repayment of a special World War II debt to Thailand

has been negotiated. No settlement has been reached for U.S. economic aid furnished during the occupation.

A reparations agreement concluded with Burma in April 1955 provides for payment in 10 years of \$200 million in goods and services at about \$20 million per year and for an additional \$50 million in loans and investment. An agreement with Thailand on the special debt calls for foreign exchange payments equal to \$15 million at the rate of \$3 million per year and an additional \$26.7 million in loans and investment, but interpretation of the loans and investment portion of the agreement has not been settled. A reparations agreement reached with the Philippines in May 1956 provides for payment in 20 years of \$550 million in capital goods and services and for developmental loans of up to \$250 million. Agreements are yet to be concluded with Indonesia and Viet-Nam.

Employment, Wages, and Family Income

As the population increases, about 800,000 new job-seekers appear each year. During 1956, 62.6 million persons were over 14 years of age and 42.9 million had or wanted employment. Average unemployment during the period was reported as 730,000. However, statistical reports of the total unemployed do not portray the full extent of actual unemployment in Japan. For survey purposes, a person is classified as employed if he works for remuneration at least one hour during the survey week. This includes unpaid family workers. Thus "employed" persons include substantial numbers only partially employed. Also, companies frequently retain more workers than are needed because of traditional Japanese reluctance to release workers needing employment. There have been some estimates that inclusion of underemployment might bring the unemployment figure in Japan to as many as 10 million persons.

National Economic Planning

A Five-Year Economic Plan (1956 through 1960) formulated by the Economic Planning Board of the Japanese Government and approved by the Cabinet on December 19, 1955, included the following objectives:

1. To achieve full employment for an expanding labor force by increases in production supplemented, if necessary, by Government-financed public works projects.

2. To make Japan's export products more competitive by lowering costs of production through modernization of industrial plants and techniques—especially in heavy industries.

3. To pursue sound monetary and fiscal policies to avoid inflation and thus to lower interest rates, to increase accumulation of private capital, and to channel available capital to investment on a selective basis.

4. As special earnings decline, to fill the gap in foreign exchange receipts with increased exports and reduced dependence upon imports.

5. To reduce the need for imports by increasing domestic production of foodstuffs and available raw materials, and by confining imports to essential commodities.

6. To expand exports, not only by lowering costs of production and prices but also by market research and trade promotion abroad.

Achievement of those objectives will require, among other things, land reclamation projects to increase agricultural production and expansion of both hydro- and thermal-electric power facilities. Financial assistance, covering foreign exchange requirements for such projects and others, is being sought from the World Bank and the United States Export-Import Bank. The need for foreign technical assistance and private foreign investment is substantial.

To expand exports, Japan will continue efforts to obtain reduction of trade barriers in countries of the free world.

CONCLUSION

The Japan which regained its sovereignty and national independence in 1952 was a nation with its self-confidence severely shaken, its national pride submerged in the disaster of defeat and the disgrace of a foreign occupation, its shattered economy making the bare beginnings of recovery, and its capability for self-defense from the threat of Communist aggression virtually reduced to nil.

Cautiously Japan's leaders and people set about regaining their self-confidence, rebuilding their national pride, strengthening their economy, and developing minimal defensive strength. Japan's problems are great and often frustrating, its approach deliberately cautious, and its progress sometimes slow. Nevertheless, the present and future importance of Japan as a partner of the United States in Asia and as an ally of the free world, and the benefits to the United States and the free world, as well as to Japan, of that partnership and alliance are becoming increasingly apparent.

For several reasons Japan has been aptly described as the northern anchor of the free Asian defenses against communism and as holding, in its own future, the key to the future of Asia.

Whether in the common defense against Communist military aggression or in the common effort to build the economic strength and well-being necessary to defend Asia against Communist corrosion and subversion from within, Japan occupies a position of great importance. Conversely, Communist control of Japan would pose a most serious threat to the survival of freedom throughout Asia.

The strategic importance of the location of the Japanese islands is obvious. They extend in an arc of more than 1,500 miles, from their northern point of contact with Communist power in the Soviet-held Kuril Islands to a point several hundred miles south of Korea. In Communist hands they would provide almost complete Communist encirclement of the Republic of Korea, seriously threaten the position of the Republic of China on Formosa, and endanger the security of the Philippines and the rest of non-Communist East Asia.

Equally important to the defense and development of free Asia, or to the subjugation of free Asia if Japan were to fall under Communist control, is the nation's industrial capacity.

The free world's interest in a strong and stable Japan goes beyond the friendly desire of free people everywhere that others may enjoy the blessings of freedom, democracy, and economic well-being. It is, as well, a vital concern that the industrial resources of Japan continue to be used for the mutual economic advancement of the free world.

DEPARTMENT OF STATE PUBLICATION 6516

Far Eastern Series 74

Released November 1957

Public Services Division

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington 25, D.C. - Price 25 cents

